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SUBJECT: CONTINUATION OF TPS FOR NICARAGUA

REF: A. STATE 101826  
    1B. MANAGUA 1009  
    1C. 08 MANAGUA 1392  
    1D. 08 MANAGUA 1329  
    1E. 08 MANAGUA 767

11. (SBU) Summary: Per ref A, following is Embassy Managua's assessment of Nicaragua's current conditions and ability to reabsorb the roughly 4,000 Nicaraguans granted Temporary Protective Status (TPS) after Hurricane Mitch in 1998. Nicaragua has yet to fully recover from Hurricane Mitch, and the country's political, economic, and social circumstances do not provide an environment in which the return of nationals could be adequately handled. End Summary.

12. (SBU) In general, Nicaragua has never fully recovered from Hurricane Mitch in 1998. The regions most devastated by Mitch, the mountainous north and isolated Atlantic coast, continue to be the poorest and least developed in the country. In 2007, the Atlantic coast suffered an additional blow from Hurricane Felix; a year later the recovery remains minimal (ref D). Other climatic events have also devastated the northern mountainous region and western part of the country since 1998 (ref B, E). These events have contributed to an environment in which there are continual disruptions to living conditions.

13. (SBU) Weak and poorly constructed infrastructure in the affected areas continues to be a significant barrier to wide-scale recovery. Many roads are unpaved and become impassable with heavy rains and floods. The Millennium Challenge Corporation (MCC) funded road projects in some of the more populous areas effected by Hurricane Mitch, but rural feeder roads remain in poor conditions. Moreover, as a result of the 2008 electoral fraud (ref C), MCC has partially terminated its compact with Nicaragua, further limiting resources available for the country's infrastructure. Most rural roads in the northern mountainous region and the Atlantic coast have not been properly rehabilitated since Hurricane Mitch. Roads are usually repaired superficially during the dry season, but become impassable during the rainy season.

14. (SBU) Political tension throughout the country also has contributed to the disruption in living conditions. The Government of Nicaragua's attempt to consolidate power is the root of tension, and was most visible in the 2008 municipal electoral fraud. In the Atlantic coast, an area most devastated by Mitch, the political tension has contributed to calls for regional independence from local leaders.

15. (SBU) The country's increasingly poor economy has slowed down reconstruction efforts, inhibiting the Government of Nicaragua from reabsorbing additional people. Nicaragua is the second poorest country in the Western Hemisphere. Official unemployment was 4.9% in 2007, but 60% of all workers earn a living in the informal sector, where underemployment is extremely high. The Central Bank

forecasts a GDP contraction of 1% in 2009, but independent economists believe the economy might contract as much as 3.5%. European donors' decision to cut off budget support in the wake of fraudulent municipal elections has exacerbated fiscal woes caused by a decline in tax revenue as a result of the economic slowdown. In a recent public opinion poll, 59% of the population expressed a desire to leave the country. Of these, 91% seek better employment or a better economic situation.

**¶6.** (SBU) Given the current political, economic, and social circumstances facing Nicaragua, combined with the disaster-prone climate/geography, Nicaragua is currently unable to reabsorb the 4,000 Nicaraguans currently benefiting from TPS. For this reason, post recommends an extension of the current designation of TPS for Nicaraguan nationals.

CALLAHAN